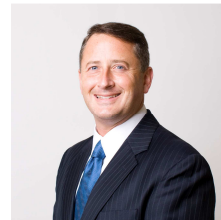


INSOS Loan Broker Update

2011 Changes and Enhancements

New Leadership

We begin 2011 under the leadership of our new Indiana Secretary of State, Charlie White. Serving as Indiana's 60th Secretary of State, Secretary White is committed to helping ensure government is transparent, accessible and efficient while continuing to defend Hoosiers' assets and investments.



Secretary White is committed to continuing the legacy of past officials who retained the Office of the Indiana Secretary of State. He will continue to work as the state's top investment watchdog to protect investors from scams and illegal activities – both domestic and abroad. This includes the continuation of the Indiana Securities Division's Prosecution Assistance Unit. The unit's sole purpose is to assist police and prosecutors in investigating and prosecuting criminal violations of the Indiana Securities Act and the Indiana Loan Brokers Act.

Secretary White will also continue the Indiana Investment Watch program, which is an investor education program designed to increase financial literacy in Hoosiers and educate them about investment scams, different types of fraud and basic personal finance concepts. He looks forward to working with Indiana's Loan Broker professionals.

Red Flags Requirement for Loan Brokers

The "Red Flags" Rule, in effect since Jan. 1, 2008, requires loan brokers to implement a written Identity Theft Prevention Program. This is designed to detect early warnings of identity theft during the origination and processing of residential mortgage loans. The Federal Trade Commission began enforcing the Red Flag Rule May 1st, 2009. IC 23-2-5-20 provides the Securities Division of the Indiana Secretary of State's Office the authority to enforce any federal law or regulation concerning residential mortgage lending.

Developing a compliant Identity Theft Program is a four-step process.



Step One – Identify relevant red flags. Identify the red flags of identity theft that are likely to be experienced in the loan broker industry during the origination process.

Step Two – Detect red flags. Set up procedures to detect those red flags in the day-to-day operations.

Step Three – Prevent and mitigate identity theft. If you suspect a violation of your red flag criteria, respond appropriately to prevent and mitigate future offenses.

Step Four – Update your Program. The risks of identity theft can change rapidly, so it's important to keep your Program current and educate your staff.

As part of our examination protocol, we will be asking that you present your program for review and discussion. Additional information is available by accessing the Federal Trade Commission's website at www.ftc.gov.

NMLS Mortgage Call Report Requirement and Functionality

Starting the 2nd quarter of 2011, all INSOS licensed Loan Brokers will be required to complete and submit the NMLS Mortgage Call Report for origination activity and financial information reflective of the 1st quarter of 2011 in accordance with IC 23-2-5-18.7



Functionality for this requirement is expected to be available in the NMLS by the end of April 2011. Failure to comply with the Mortgage Call Report requirement may result in administrative action against the licensee. More details will follow in the coming weeks as to specific time frames for completion. Please contact our office if there are any questions.

All licensed loan brokers must complete the NMLS Mortgage Call Report on a calendar quarter basis and submit it through the NMLS. The report is a single report of condition that reflects the entire mortgage activity and financial information of a company. Additionally, an NMLS processing fee may be incurred for the submission of the report. For information on



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Loan Broker Compliance

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this requirement please visit the [NMLS Resource Center](#) to find out what information will be required to complete the report.

The "Other Business" section of the MU1 must be accurate and up to date as all companies that are Fannie Mae or Freddie Mac Approved Seller/Servicers or Ginnie Mae Issuers are required to submit more comprehensive information than other companies must submit and is substantially similar to information these companies must submit as part of the Mortgage Bankers' Financial Reporting Form.



Alerts Page

Be sure and check the INSOS [Alerts Page](#). We will be posting important updates and information relative to licensing and legislative updates for loan brokers periodically.